

**SHELBY CITY SCHOOLS**  
**Richland County**  
**Summary of Significant Assumptions and Accounting Policies**  
**For the Fiscal Year Ending June 30, 2008 through 2012**

**October 2007**

**REVENUES**

**Line 1.010 General Property Tax (Real Estate)**

For the fiscal year 2008 General Property Tax is estimated based on the Richland County Auditor's latest Tax Information and actual receipts through September 30, 2007. Fiscal years 2009 – 2012 include annual increases of approximately 3% based on re-appraisal and potential growth as the district reaches the 20 mill floor. An emergency levy representing approximately 4.3 mills was renewed by the voters in May 2008 and is included in this line. The next reappraisal for Richland county property will be in tax year 2008, collectible in 2009. The estimates include all property taxes scheduled for settlement for fiscal year 2008 – 2012 and excludes the receipt of any advances against succeeding years' scheduled property tax settlements.

**Line 1.020 Tangible Personal Property Tax**

Tangible Personal Property Tax will be largely phased out by 2010. The State will hold schools harmless back to the tax year 2004 tax base. This amount will be less any money received by the school through the state foundation formula adjustment for the reduction in the property tax base.

**Line 1.030 Income Tax**

On May 3, 2005, the voters of the Shelby City School District authorized a one percent (1%) continuing income tax that became effective January 1, 2006. Collection is estimated based on the Ohio Department of Taxation's (ODT) Timeline for Receiving School District Income Tax Payments dated January 19, 1997. When fully collected the income tax is estimated to generate approximately \$2,400,000. To date collection has averaged the ODT estimates, and the forecast reflects that calculation.

### **Lines 1.035 and 1.040 State Foundation, Unrestricted & Restricted**

The current year is estimated based on the current State estimate as shown on the SF-3. Years 2009- 2012 are estimated to remain essentially stable. State funding estimates allow for a 1.5 percent decline in annual enrollment, the phase-out of the cost of doing business factor and hold harmless reimbursements associated with the tangible property tax phase-outs. This analysis assumes that enrollment will remain stable or decline slightly offset by small increases in the per student aid amount. It should be noted that early indications for 2009 show a drop of approximately 4% in enrollment from the prior year, with most of this accounted for by a small kindergarten class. Kindergarten has a smaller effect on state funding than grades 1 -12 enrollment, but lower kindergarten enrollment may signal a trend of significantly lower future enrollment in grades 1 -12.

### **Line 1.050 Property Tax Allocation**

This line includes both reimbursement for Homestead and Rollback allowances on property taxes and reimbursement for the Tangible Personal Property (TPP) Tax lost due to the phase out of tax on personal property. The current forecast includes \$600,000 for homestead and rollback reimbursement and \$422,700 for PPT reimbursement. PPT reimbursement is estimated based on Ohio Department of Education projections for 2007 – 2010. After 2010 the current reimbursement authorization will end. For this forecast we assume that a comparable revenue source will be in place for 2011 and 2012, but note that this is not guaranteed.

### **Line 1.060 All Other Revenues**

Other Revenues include open enrollment, tuition, extracurricular transportation, property tax abatements, interest, student class fees, refund of prior year expenditures and other revenue. Projections include an increase of approximately 9 % in 2008 for increased interest income on larger available cash balances, and some donations for flood related expenses. In Fiscal Years 2009 through 2012 decreases are projected as existing abatement agreements expire, beginning with expiration of a \$174,000 annual abatement

in fiscal year 2010. This assumes that other significant sources of revenue in this category, open enrollment and interest will remain relatively stable.

**Line 2.020**

No new debt issues are projected for the period of 2009 -2012

**Line 2.040 – 2.050**

No advances or transfers are projected, however it may be necessary to consider year end advances to food service or grant accounts. Any such advances are assumed to be relatively small and to be repaid in the following fiscal year.

**Line 2.060 All Other Financing Sources**

All other financing sources consists of sales of fixed assets, compensation for loss of assets and reimbursement for prior years expenses. In the past this has been a very small source of income. In August of 2007 the district experienced catastrophic flooding to the Middle School, Central School, the Football Stadium, the Gamble Street Technology Center and the Bus Garage. The current estimate of losses is \$1,400,000. We anticipate receiving reimbursement from our flood insurance, the inland marine portion of our property insurance, and Federal Emergency Management Agency (FEMA) funds for all or most of these losses. This reimbursement is reflected in fiscal 2008 and 2009 on the current forecast.

**EXPENSES**

**Line 3.010 Personal Services**

Fiscal year 2008 includes a two percent increase to cover step increases and the negotiated 1.95% increase to the base. While the increase in this line item is less than the base increase, reduced severance liability and the fact that the step increase did not occur until September are factored into the calculation. In fiscal years 2009 -2012 annual increases to the expense line of approximately 3% in salaries have been projected.

**Line 3.020 Benefits**

Fiscal Year 2008 is projected based on experience through September 2007. Fiscal year 2008 is projected at a 10% overall increase to allow for increased health insurance costs. Five percent increases are projected in 2009 through 2011. No increases to the STRS or SERS rates have been specifically included in the forecast at this time.

**Line 3.030 Purchased Services**

Purchased Services, which include special education and other student services as well as utility costs, are estimated for 2007 based on experience through March 2007. An 8% increase is projected in fiscal year 2008, then annual increases of approximately 4%.

**Line 3.040 Supplies & Materials**

Supply and material costs are projected as indicated for fiscal 2008 – 2012. Set-aside amounts for textbooks and materials are \$326,000 in fiscal 2008. Although technically exempt from set-aside due to the current fiscal emergency status, the district expects to spend approximately 75% of the required amount on class room materials in fiscal 2008 and to meet its' set-aside requirements in fiscal 2009 – 2012.

**Line 3.050 Capital Outlay**

During the district's fiscal crisis capital expenditures have been kept to an absolute minimum. As a result of the flooding in August 2007, a significant increase is projected in this area. Insurance and FEMA reimbursement is expected to cover the necessary repairs, see line 2.070 for the corresponding revenue projection. A bus purchase through the general fund is projected in 2011.

**Line 4.020 Principal Notes**

Note repayment represents debt service requirements for a \$1,000,000 income tax anticipation note issued during July 2005. The note will be fully repaid in December 2010.

**Line 4.030 Principal State Loans**

This represents repayment of an overpayment from the State of Ohio involving the Copperweld Bankruptcy. The overpayment was scheduled for interest free re-payment beginning in July 2006 and ending in June 2009.

**Line 4.040**

Debt Service Principal, State Advancements was completely paid in 2007 and is no longer an expense for the district. This item was based on \$3,253,000 that was advanced on June 2, 2005. The proceeds were the result of the Fiscal Emergency process and were advances on future state foundation dollars and were fully repaid in fiscal 2006 & 2007.

**Line 4.050**

Debt Service Principal – HB 264 Loans consist of a \$1,600,000 energy conservation loan issued in 1998. Final interest and principal payment will be during June 2013.

**Line 4.060**

Interest and principal is based on current debt service schedules.

**Line 4.300**

Other objects include fees associated with collection of real estate and income taxes, audit, county office and other items. Costs are projected to remain stable, increasing very slightly in the coming years.

**Line 5.010 & Line 5.020**

Operating Transfers and Advances out, no significant transfers or advances out are estimated for fiscal years 2008 through 2012.

**Line 8.010**

These are outstanding purchase orders that have not been approved for payment as goods were not received in the fiscal year in which they were ordered.

**Line 9.060 Property Tax Advances**

No advances are anticipated.

**Line 9.070 Bus Purchases**

Bus purchase reserves are projected to grow slowly through foundation grants, with a bus purchased when funds are available.

**Lines 20.010 -.025 ADM Forecasts**

The forecast was prepared prior to completion of the October count, preliminary estimates indicate a drop of approximately 40 students, with kindergarten accounting for most of that number.